

# Estimates of Impact of Local Option Meals Tax

**January 2009**

## *Explanation of methodology and data limitations*

### **DISCLAIMER: General limitation of DOR returns data for meals taxes**

DOR data contains addresses for meals tax returns, or taxpayer registrations, as part of their return. However, businesses that operate in more than one location in Massachusetts generally file a single meals tax return covering all of the locations in the state. In the data kept by DOR, these meals would all be attributed to the address listed on the return, or registration. Take for example a theoretical business that has two locations, one in Sheffield and one in Cambridge. If this business files a single return from Sheffield listing meals tax from both locations, then the data from the meals tax returns would be placed under the “Sheffield” category, even though some of the meals tax was not generated by sales in that locality.

Similarly, meals tax from restaurants that are part of a chain may be filed together under the address of the corporate headquarters. If this address is out-of-state, then the meals tax from this chain might not appear in any of the local tallies, and would need to be distributed among the cities and towns. Furthermore, a business can have its return filed by a third party, such as an accountant, with the address of this party on its return. In this case, our data may show the meals tax in the city or town in which the accountant’s office is located. For these reasons, DOR returns data does not well represent the amounts of economic activity taking place in any particular city or town.

### **Two Methods: Using DOR Returns Data and U.S. Census Data**

Two methods are presented to estimate the impact of a 1% increase in the meals tax that raises a total of \$125 million in new tax revenues. The first uses DOR meals tax return data to allocate this increase. The second method uses data gathered by the US Census bureau as part of its 2002 Economic Census of business activity.

#### **Method 1: DOR Meals Tax Returns**

The accompanying spreadsheet lists all 351 cities and towns in Massachusetts in alphabetical order. The first method uses 2007 meals taxes (by town) obtained from DOR's meals tax return data for taxable receipts. These data are subject to the data limitations described in the disclaimer. Also note that towns from which fewer than three taxpayers filed tax returns in

any given year are excluded from these data to ensure the confidentiality of taxpayer-specific information.

This method uses the percentage of meals taxes reported by each town in the 2007 meals tax return data to allocate the revenue that would be generated by a 1% increase in the meals tax. For the meals tax revenue reported from out-of-state taxpayers, revenue was distributed to Massachusetts cities and towns proportionately, based on the percentage of in-state meals tax revenue attributable to each city and town.

## **Method 2: U.S. Census Data**

Using food service industry data from the U.S. Census Bureau's 2002 Economic Census of Business Activity (the most recent available), the Department of Revenue estimated the proportion of total restaurant activity (and thus meals tax revenue) for each of the Commonwealth's 351 cities and towns. The 2002 census provided the following information: total food service (mostly restaurant) sales and the number of food service establishments for the state as a whole; food service sales for the larger individual towns; and the number of food service establishments for many of the smaller towns in Massachusetts. These data were used to allocate meals taxes to individual towns. However, for some towns (mainly the smallest ones), there were neither sales nor establishment data available from the Census Bureau. Where no sales or establishment data were available, the remaining meals tax was allocated based on population.

The percentages of total restaurant activity for each city and town were then used to allocate the approximately \$125 million in new meals tax revenue.

### **Note on Estimates**

The actual impact of the proposal to increase the meals tax rate in any given city or town depends on several factors, including how many establishments actually exist, their future sales, and how customers would react to an increase in the meals tax. Customers' reactions may be especially important if contiguous towns (whether inside or outside Massachusetts) opt for different local option taxes or none at all. While the Department of Revenue believes that in general the Census-based estimates to be preferable to the meals tax return-based estimates, in some cases the estimates based on meals tax returns may be more accurate, especially where Census data on sales and the number of food service establishments were unavailable.

It should also be noted that the method based on the 2002 U.S. Census data implicitly assumes that the distribution of restaurant sales among cities and towns has not changed since 2002. DOR believes that while this is a reasonable assumption, there are probably some cases in which this assumption does not hold, and that the estimates should therefore be used with caution.

# Midpoint Revenue Impact of One percentage Point Increase (from 5% to 6%) in Meals Tax Rate

## Method: Using DOR Returns

*(This method uses 2007 Meals Tax Return data to distribute the Aggregate Revenue Impact. Meals Tax From Out-of-State Returns (Mostly Restaurant Chains) is Distributed Proportionately to In-State Cities and Towns)*

## Method: Using U.S. Census Department Data on Restaurant Sales, Number of Restaurants, or Population in a Locality

*(This method uses MA Economic Census data for NAICS code 722 (Food Services) to distribute the Aggregate Revenue Impact -- see footnotes)*

### CITIES and TOWNS

(001) Abington	235,268	308,659
(002) Acton	320,817	305,519 E
(003) Acushnet	72,925	102,475
(004) Adams	65,783	267,897 P
(005) Agawam	622,639	294,311
(006) Alford	**	9,722 P
(007) Amesbury	166,300	174,582 E
(008) Amherst	465,788	468,109
(009) Andover	567,860	657,140
(010) Arlington	300,245	480,101 E
(011) Ashburnham	16,084	75,356 P
(012) Ashby	3,143	32,181 P
(013) Ashfield	13,010	21,308 P
(014) Ashland	154,570	237,698
(015) Athol	96,033	96,690
(016) Attleboro	617,585	538,295 E
(017) Auburn	276,873	298,244 E
(018) Avon	126,724	79,827 P
(019) Ayer	93,118	65,979 P
(020) Barnstable	1,598,593	1,626,187
(021) Barre	41,841	62,289 P
(022) Becket	9,193	45,083 P
(023) Bedford	473,214	293,882
(024) Belchertown	120,313	189,447
(025) Bellingham	175,743	247,325 E
(026) Belmont	158,410	200,977
(027) Berkley	59,499	81,352 P
(028) Berlin	9,662	32,458 P
(029) Bernardston	38,248	31,745 P
(030) Beverly	580,102	691,054 E
(031) Billerica	536,868	560,117 E
(032) Blackstone	50,419	106,079 P
(033) Blandford	3,123	18,857 P
(034) Bolton	79,467	62,586 P
(035) Boston	24,640,591	23,345,650
(036) Bourne	286,342	501,757
(037) Boxborough	58,992	54,668 P
(038) Boxford	34,703	154,392 P
(039) Boylston	71,221	56,747 P
(040) Braintree	704,423	1,167,299
(041) Brewster	212,427	90,301
(042) Bridgewater	213,825	431,494
(043) Brimfield	14,102	55,138 P
(044) Brockton	942,939	1,322,547
(045) Brookfield	19,490	38,980 P
(046) Brookline	1,162,366	1,192,250
(047) Buckland	**	3,514 P
(048) Burlington	1,036,597	1,230,582
(049) Cambridge	3,878,354	4,058,091
(050) Canton	534,297	509,957
(051) Carlisle	49,169	53,092 P

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## Method: Using U.S. Census Department Data on Restaurant Sales, Number of Restaurants, or Population in a Locality

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### CITIES and TOWNS

(052) Carver	139,672	116,388 E
(053) Charlemont	15,994	17,719 P
(054) Charlton	77,664	189,131 E
(055) Chatham	432,261	466,768 P
(056) Chelmsford	342,459	494,649 E
(057) Chelsea	537,727	436,455 E
(058) Cheshire	8,306	109,473 P
(059) Chester	5,519	21,150 P
(060) Chesterfield	**	14,792 P
(061) Chicopee	2,088,168	652,402
(062) Chilmark	34,800	49,807 P
(063) Clarksburg	3,945	48,198 P
(064) Clinton	140,325	254,599 E
(065) Cohasset	181,927	142,663 P
(066) Colrain	**	25,988 P
(067) Concord	379,931	225,502 E
(068) Conway	2,036	24,732 P
(069) Cummington	5,627	16,010 P
(070) Dalton	36,291	228,804 P
(071) Danvers	643,952	1,082,125
(072) Dartmouth	445,102	906,475
(073) Dedham	2,463,457	334,616 E
(074) Deerfield	109,807	81,538 P
(075) Dennis	569,624	579,093
(076) Dighton	35,785	89,168 P
(077) Douglas	31,746	104,678 P
(078) Dover	7,796	115,594 P
(079) Dracut	269,368	320,899
(080) Dudley	79,309	46,157
(081) Dunstable	7,881	33,676 P
(082) Duxbury	89,727	109,114 E
(083) East Bridgewater	111,243	170,093
(084) East Brookfield	17,811	26,656 P
(085) East Longmeadow	158,928	232,776 E
(086) Eastham	136,687	370,445 P
(087) Easthampton	153,115	149,075
(088) Easton	318,550	400,879
(089) Edgartown	352,582	243,447 P
(090) Egremont	41,660	25,058 P
(091) Erving	9,895	19,289 P
(092) Essex	226,642	55,793 P
(093) Everett	378,356	516,472 E
(094) Fairhaven	325,741	370,987 E
(095) Fall River	873,789	1,218,221
(096) Falmouth	945,479	873,941
(097) Fitchburg	343,009	583,522
(098) Florida	**	18,725 P
(099) Foxborough	628,332	386,115
(100) Framingham	925,168	1,785,838
(101) Franklin	567,400	566,033
(102) Freetown	114,856	115,330 P

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### CITIES and TOWNS

(103) Gardner	223,881	254,599 E
(104) Aquinnah	10,093	11,843 P
(105) Georgetown	93,459	143,304 P
(106) Gill	9,571	17,585 P
(107) Gloucester	550,134	664,643
(108) Goshen	2,178	9,514 P
(109) Gosnold	2,810	2,546 P
(110) Grafton	147,153	203,679 E
(111) Granby	17,870	108,184 P
(112) Granville	21,393	23,292 P
(113) Great Barrington	296,733	256,121 P
(114) Greenfield	225,184	355,192
(115) Groton	116,533	109,896 P
(116) Groveland	24,400	115,820 P
(117) Hadley	164,691	81,990 P
(118) Halifax	115,036	116,718 P
(119) Hamilton	65,924	137,628 P
(120) Hampden	70,331	87,195 P
(121) Hancock	7,896	8,353 P
(122) Hanover	218,082	403,644
(123) Hanson	143,900	160,868 P
(124) Hardwick	5,457	22,503 P
(125) Harvard	15,769	69,455 P
(126) Harwich	399,153	234,450
(127) Hatfield	28,361	57,702 P
(128) Haverhill	890,874	880,184 E
(129) Hawley	**	2,901 P
(130) Heath	**	5,084 P
(131) Hingham	606,938	463,666
(132) Hinsdale	10,311	71,544 P
(133) Holbrook	77,287	127,385
(134) Holden	177,889	172,281
(135) Holland	3,684	34,109 P
(136) Holliston	54,245	92,127
(137) Holyoke	462,081	846,775
(138) Hopedale	11,914	75,803 P
(139) Hopkinton	116,094	113,239
(140) Hubbardston	6,989	56,734 P
(141) Hudson	197,050	247,604
(142) Hull	188,662	196,405 E
(143) Huntington	8,229	43,651 P
(144) Ipswich	225,085	241,752
(145) Kingston	460,602	210,953 E
(146) Lakeville	79,112	163,253 P
(147) Lancaster	12,614	79,683 P
(148) Lanesborough	193,735	87,667 P
(149) Lawrence	483,799	581,940 E
(150) Lee	200,323	202,412 P
(151) Leicester	91,089	50,976
(152) Lenox	396,226	166,845 P
(153) Leominster	572,300	826,777

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### CITIES and TOWNS

(154) Leverett	**	23,551 P
(155) Lexington	471,474	447,694
(156) Leyden	870	9,929 P
(157) Lincoln	4,635	53,651 P
(158) Littleton	45,652	89,900 P
(159) Longmeadow	97,727	114,594
(160) Lowell	1,130,654	1,188,236
(161) Ludlow	206,753	261,482
(162) Lunenburg	94,976	124,106 P
(163) Lynn	622,433	662,495
(164) Lynnfield	70,563	275,547
(165) Malden	455,522	556,960
(166) Manchester	74,926	89,216 P
(167) Mansfield	257,751	232,776 E
(168) Marblehead	269,140	235,658
(169) Marion	52,486	76,564 P
(170) Marlborough	577,477	927,748
(171) Marshfield	600,751	312,793 E
(172) Mashpee	270,439	210,953 E
(173) Mattapoisett	108,013	96,546 P
(174) Maynard	415,204	220,693
(175) Medfield	96,936	110,045
(176) Medford	361,042	516,472 E
(177) Medway	151,110	135,036
(178) Melrose	143,600	203,674
(179) Mendon	94,387	74,823 P
(180) Merrimac	27,816	106,964 P
(181) Methuen	512,542	523,746 E
(182) Middleborough	335,047	430,286
(183) Middlefield	**	5,807 P
(184) Middleton	216,076	133,657 P
(185) Milford	498,876	632,310
(186) Millbury	148,539	72,974
(187) Millis	88,850	154,586 P
(188) Millville	3,626	38,472 P
(189) Milton	124,444	109,114 E
(190) Monroe	**	733 P
(191) Monson	22,584	124,335 P
(192) Montague	75,736	113,926 P
(193) Monterey	**	21,463 P
(194) Montgomery	**	11,721 P
(195) Mount Washington	**	3,663 P
(196) Nahant	73,364	58,991 P
(197) Nantucket	1,017,422	741,421 P
(198) Natick	654,254	581,940 E
(199) Needham	792,516	349,164 E
(200) New Ashford	**	5,682 P
(201) New Bedford	1,177,014	1,174,600
(202) New Braintree	**	15,746 P
(203) New Marlborough	28,531	35,498 P
(204) New Salem	**	13,323 P

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### CITIES and TOWNS

(205) Newbury	22,758	116,910 P
(206) Newburyport	495,524	436,455 E
(207) Newton	1,823,930	1,997,337
(208) Norfolk	127,583	74,745
(209) North Adams	253,678	341,890 E
(210) North Andover	502,394	341,890 E
(211) North Attleborough	404,557	541,713
(212) North Brookfield	23,978	54,738 P
(213) North Reading	218,332	263,642
(214) Northampton	948,117	778,606
(215) Northborough	1,429,978	247,325 E
(216) Northbridge	57,466	121,117
(217) Northfield	8,342	45,547 P
(218) Norton	246,071	232,776 E
(219) Norwell	103,210	171,720 P
(220) Norwood	894,758	687,996
(221) Oak Bluffs	289,613	137,468 P
(222) Oakham	2,278	24,734 P
(223) Orange	89,542	100,827 P
(224) Orleans	356,938	490,661 P
(225) Otis	13,589	43,885 P
(226) Oxford	215,048	138,211 E
(227) Palmer	171,249	159,665
(228) Paxton	8,941	54,837 P
(229) Peabody	928,943	1,341,230
(230) Pelham	**	18,922 P
(231) Pembroke	274,792	225,502 E
(232) Pepperell	25,704	38,467
(233) Peru	**	19,683 P
(234) Petersham	3,742	14,481 P
(235) Phillipston	15,239	20,693 P
(236) Pittsfield	697,666	743,710
(237) Plainfield	**	8,684 P
(238) Plainville	171,874	159,424 P
(239) Plymouth	2,010,354	878,209
(240) Plympton	6,229	44,119 P
(241) Princeton	79,696	45,018 P
(242) Provincetown	624,675	238,773 P
(243) Quincy	1,815,783	1,454,850 E
(244) Randolph	370,854	443,729 E
(245) Raynham	264,785	327,341 E
(246) Reading	234,531	190,320
(247) Rehoboth	95,971	57,821
(248) Revere	769,971	596,489 E
(249) Richmond	812	39,538 P
(250) Rochester	11,474	82,614 P
(251) Rockland	368,266	339,596
(252) Rockport	102,794	119,476 P
(253) Rowe	**	8,643 P
(254) Rowley	222,428	103,643 P
(255) Royalston	**	13,787 P

# Midpoint Revenue Impact of One percentage Point Increase (from 5% to 6%) in Meals Tax Rate

## Method: Using DOR Returns

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### CITIES and TOWNS

(256) Russell	11,451	23,398 P
(257) Rutland	36,525	96,061 P
(258) Salem	1,042,631	835,420
(259) Salisbury	224,325	125,485 P
(260) Sandisfield	5,523	19,546 P
(261) Sandwich	403,856	263,723
(262) Saugus	785,714	1,378,261
(263) Savoy	**	22,627 P
(264) Scituate	302,376	181,856 E
(265) Seekonk	534,045	861,123
(266) Sharon	98,505	137,921
(267) Sheffield	23,502	100,607 P
(268) Shelburne	39,647	54,907 P
(269) Sherborn	63,396	47,132 P
(270) Shirley	24,879	56,001 P
(271) Shrewsbury	584,820	503,743
(272) Shutesbury	1,133	20,366 P
(273) Somerset	241,620	210,953 E
(274) Somerville	988,870	1,112,960 E
(275) South Hadley	136,235	195,353
(276) Southampton	188,826	100,647 P
(277) Southborough	278,062	127,515 P
(278) Southbridge	83,384	127,573
(279) Southwick	117,112	142,755 P
(280) Spencer	107,964	130,937 E
(281) Springfield	1,768,060	2,024,301
(282) Sterling	156,909	100,326 P
(283) Stockbridge	21,270	48,232 P
(284) Stoneham	303,860	371,875
(285) Stoughton	401,107	421,907 E
(286) Stow	79,695	69,121 P
(287) Sturbridge	312,331	118,713 P
(288) Sudbury	266,983	181,856 E
(289) Sunderland	44,487	46,115 P
(290) Sutton	64,505	114,745 P
(291) Swampscott	329,118	152,759 E
(292) Swansea	696,107	247,325 E
(293) Taunton	586,204	785,619 E
(294) Templeton	37,473	90,656 P
(295) Tewksbury	1,898,631	663,918
(296) Tisbury	188,242	327,344 P
(297) Tolland	**	5,023 P
(298) Topsfield	15,970	109,811 P
(299) Townsend	92,922	93,989 P
(300) Truro	35,928	134,536 P
(301) Tyngsborough	168,411	210,953 E
(302) Tyringham	**	6,093 P
(303) Upton	26,568	88,858 P
(304) Uxbridge	127,245	152,759 E
(305) Wakefield	269,737	320,067 E
(306) Wales	4,274	24,725 P



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(307) Walpole	592,928	312,793 E
(308) Waltham	1,223,804	1,699,912
(309) Ware	124,997	165,992 P
(310) Wareham	456,544	536,157
(311) Warren	9,571	50,709 P
(312) Warwick	**	10,138 P
(313) Washington	**	16,123 P
(314) Watertown	637,369	574,666 E
(315) Wayland	534,895	145,485 E
(316) Webster	225,030	261,873 E
(317) Wellesley	594,236	487,375 E
(318) Wellfleet	233,431	210,434 P
(319) Wendell	**	10,781 P
(320) Wenham	108,418	65,756 P
(321) West Boylston	268,227	80,390 P
(322) West Bridgewater	228,299	97,004 P
(323) West Brookfield	68,984	47,869 P
(324) West Newbury	9,059	78,250 P
(325) West Springfield	627,924	910,233
(326) West Stockbridge	25,659	37,963 P
(327) West Tisbury	51,454	94,025 P
(328) Westborough	381,933	761,413
(329) Westfield	349,587	432,555
(330) Westford	232,942	305,519 E
(331) Westhampton	8,173	26,653 P
(332) Westminster	98,686	91,536 P
(333) Weston	66,202	61,981 E
(334) Westport	207,375	203,679 E
(335) Westwood	167,264	160,034 E
(336) Weymouth	554,608	712,877 E
(337) Whately	21,959	13,368 P
(338) Whitman	86,442	195,460
(339) Wilbraham	155,156	181,856 E
(340) Williamsburg	31,501	61,709 P
(341) Williamstown	224,993	196,113 P
(342) Wilmington	206,468	404,288
(343) Winchendon	60,991	115,564 P
(344) Winchester	137,038	141,934
(345) Windsor	**	25,913 P
(346) Winthrop	126,068	125,641
(347) Woburn	1,140,564	963,504
(348) Worcester	2,780,336	3,071,086
(349) Worthington	3,345	21,164 P
(350) Wrentham	278,107	138,211 E
(351) Yarmouth	813,521	819,287
Total for Small Towns (**)	21,376	
Total for the Rest	124,978,624	
<b>TOTALS</b>	<b>125,000,000</b>	<b>125,000,000</b>

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### CITIES and TOWNS

\*\* Disclosure rules prohibit release of data where the number of taxpayers is less than 3; If some towns/Localities share same ZIP code, numbers may not add.

E: By using establishment proportions. Only "establishment" data were available from the U.S. Census Bureau for these towns (there were no sales data available for these towns).

P: By using population proportion. Neither "sales" nor "establishment" data were available from the U.S. Census Bureau for these towns.